LEHMAN BROTHERS HOLDINGS INC (LEH)

LEHMAN BROTHERS
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212. 526.7000

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424B2
Filed on 06/09/2008
File Number 333-134553

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Calculation of the Registration Fee

Title of Each Class of Securities Offered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)(2)
8.75% Non–Cumulative Mandatory Convertible Preferred Stock, Series Q	$2,000,000,000	$78,600

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933.

(2) Pursuant to Rule 457(p) under the Securities Act of 1933, filing fees have already been paid with respect to unsold securities that were previously registered pursuant to a Registration Statement on Form S–3 (No. 333–134553) filed by Lehman Brothers Holdings Inc. and the other Registrants thereto on May 30, 2006, and have been carried forward, of which $78,600.00 is offset against the registration fee due for this offering and of which $694,705.11 remains available for future registration fees. No additional registration fee has been paid with respect to this offering.

As Filed Pursuant to Rule 424(b)(2)
Registration No: 333–134553

PROSPECTUS SUPPLEMENT
(To Prospectus Dated May 30, 2006)

2,000,000 Shares
LEHMAN BROTHERS HOLDINGS INC.
8.75% Non–Cumulative Mandatory Convertible Preferred Stock, Series Q

This is a public offering by Lehman Brothers Holdings Inc. of 2,000,000 shares of 8.75% Non–Cumulative Mandatory Convertible Preferred Stock, Series Q (the "Preferred Stock").

Cash dividends on the Preferred Stock will be payable quarterly in arrears, when, as and if declared by our board of directors, at a rate of 8.75% per year. The dividend payment dates will be each January 1, April 1, July 1 and October 1, commencing on October 1, 2008, through and including July 1, 2011, or the next business day if any such day is not a business day. Dividends on the Preferred Stock will be non–cumulative.

Each share of the Preferred Stock will mandatorily convert on July 1, 2011, into between 30.2663 and 35.7142 shares of our common stock, subject to anti–dilution adjustments. The number of shares of our common stock issuable upon conversion will be determined based on the average of the closing prices per share of our common stock over the 20 trading day period ending on the third trading day prior to the mandatory conversion date. At any time prior to July 1, 2011, you may elect to convert each share of Preferred Stock into shares of common stock at the minimum conversion rate of 30.2663 shares of common stock per share of Preferred Stock, subject to anti–dilution adjustments. In the event of a cash acquisition (as described herein), under certain circumstances the conversion rate will be adjusted during the cash acquisition conversion period (as described herein).

The Preferred Stock is not redeemable by us at any time.

Prior to this offering, there has been no public market for the Preferred Stock. The Preferred Stock will not be listed on any securities exchange or included in any automated quotation system. Our common stock is listed on the New York Stock Exchange under the symbol "LEH." The last reported sale price of our common stock on June 6, 2008 was $32.29 per share.

In addition to this offering of Preferred Stock, we are concurrently offering 143,000,000 shares of our common stock. The common stock will be offered pursuant to a separate prospectus supplement. The completion of this offering of the Preferred Stock is not conditioned upon the completion of the concurrent offering of our common stock and the completion of the offering of our common stock is not conditioned upon the completion of this offering of the Preferred Stock.

See "Risk Factors" beginning on page S–9 of this prospectus supplement and "Risk Factors" beginning on page 14 of our Annual Report on Form 10–K for the year ended November 30, 2007 to read about factors you should consider before investing in the Preferred Stock.

	Per Share	Total
Initial public offering price	$ 1,000.00	$ 2,000,000,000
Underwriting discount	$ 30.00	$ 60,000,000
Proceeds to Lehman Brothers Holdings Inc. (before expenses)	$ 970.00	$ 1,940,000,000

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriter expects to deliver the shares of Preferred Stock through the facilities of The Depository Trust Company against payment in New York, New York on June 12, 2008.

LEHMAN BROTHERS

June 9, 2008

You should only rely on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or any free writing prospectus. Any free writing prospectus should be read in connection with this prospectus supplement and the accompanying prospectus. We have not, and no underwriter, agent or dealer has, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and no underwriter, agent or dealer is, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we have filed or will file with the Securities and Exchange Commission (the "SEC") and incorporated by reference, is accurate as of the date of the applicable document or other date referred to in the document. Our business, financial condition, results of operations and prospects may have changed since that date.

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Prospectus Supplement

Prospectus

GENERAL INFORMATION

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of Preferred Stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, as well as the information incorporated by reference into both documents.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

Please note that in this prospectus supplement references to "Lehman Brothers Holdings," "we," "us" and "our" refer to Lehman Brothers Holdings Inc. and references to "Lehman Brothers" refer to Lehman Brothers Holdings and its subsidiaries.

Also, in this prospectus supplement, references to "holders" mean those who own Preferred Stock registered in their own names, on the books that we or our agent maintains for this purpose, and not those who own beneficial interests in Preferred Stock registered in street name or in Preferred Stock issued in book–entry form through one or more depositaries. The Preferred Stock will be issued in book–entry form only. Owners of beneficial interests in the Preferred Stock should read the section entitled "Book–Entry System."

Investing in the Preferred Stock involves risks. You should reach a decision to purchase shares only after you have carefully reviewed the risk factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus and considered with your advisors the suitability of an investment in the Preferred Stock in light of your particular circumstances.

This prospectus supplement contains summaries of provisions of certain documents that are described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed or will be filed or incorporated by reference as exhibits to the registration statement of which this prospectus supplement is a part, and you may obtain copies of those documents as described below under "Where You Can Find More Information."

CAUTIONARY STATEMENT REGARDING FORWARD–LOOKING STATEMENTS

We have included or incorporated by reference in this prospectus supplement and the accompanying prospectus statements that may constitute "forward–looking statements" within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. These forward–looking statements are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside of our control. It is possible that our actual results may differ, possibly materially, from the anticipated results indicated in these forward–looking statements.

Information regarding important factors that could cause actual results to differ, perhaps materially, from those in our forward–looking statements is contained in our most recent Annual Report on Form 10–K, which is incorporated in this prospectus supplement and the accompanying prospectus by reference. See "Where You Can Find More Information" in this prospectus supplement for information about how to obtain a copy of this annual report.

SUMMARY INFORMATION

This summary highlights selected information in this prospectus supplement, but it may not contain all of the information that you should consider before deciding to invest in the Preferred Stock. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the "Risk Factors" section in this prospectus supplement and in our Annual Report on Form 10−K for the year ended November 30, 2007 and the other documents referred to in "Where You Can Find More Information."

Lehman Brothers Holdings Inc.

Lehman Brothers Holdings Inc., an innovator in global finance, serves the financial needs of corporations, governments and municipalities, institutional clients and high−net−worth individuals worldwide. Lehman Brothers provides a full array of services in equity and fixed income sales, trading and research, investment banking, asset management, private asset management and private equity. Lehman Brothers' worldwide headquarters in New York and regional headquarters in London and Tokyo are complemented by a network of offices in North America, Europe, the Middle East, Latin America and the Asia Pacific region. Lehman Brothers, through predecessor entities, was founded in 1850.

Lehman Brothers operates in three business segments: Capital Markets, Investment Banking and Investment Management.

Capital Markets primarily represents institutional client−flow activities, including secondary trading, financing, mortgage origination and securitization, prime brokerage and research activities in fixed income and equity products. These products include a wide range of cash, derivative, secured financing and structured instruments and investments. Lehman Brothers is a leading global market−maker in numerous equity and fixed income products, including U.S., European and Asian equities, government and agency securities, money market products, corporate high grade, high yield and emerging market securities, mortgage− and asset−backed securities, preferred stock, municipal securities, bank loans, foreign exchange, financing and derivative products. Lehman Brothers is one of the largest investment banks in terms of U.S. and pan−European listed equities trading volume and maintains a major presence in over−the−counter U.S. stocks, major Asian large capitalization stocks, warrants, convertible debentures and preferred issues. In addition, the secured financing business manages Lehman Brothers' equity and fixed income matched book activities, supplies secured financing to institutional clients and customers, and provides secured funding for Lehman Brothers' inventory of equity and fixed income products. The Capital Markets segment also includes principal investing and proprietary activities including investments in real estate, private equity and other long−term investments.

Investment Banking provides advice to corporate, institutional and government clients throughout the world on mergers, acquisitions and other financial matters. Investment Banking also raises capital for clients by underwriting public and private offerings of debt and equity instruments. Investment Banking is comprised of corporate finance, mergers & acquisitions ("M&A") and global finance units that serve Lehman Brothers' corporate, institutional and government clients. The corporate finance unit is organized into global industry groups—communications, consumer/retail, financial institutions, financial sponsors, healthcare, industrial, media, middle markets, natural resources, power, real estate and technology—that include bankers who deliver industry knowledge and expertise to meet clients' objectives. M&A is comprised of advisory and restructuring groups. Global finance serves Lehman Brothers' clients' capital−raising needs through specialized product groups in equity capital markets, debt capital markets, leveraged finance, private capital markets and risk solutions. Bankers in these specialized product groups partner with industry coverage bankers in the global industry groups to provide comprehensive financial solutions for clients.

Investment Management provides strategic investment advice and services to institutional and high net−worth clients on a global basis. Private Investment Management provides traditional brokerage

services and comprehensive investment, wealth advisory and capital markets execution services to high−net−worth individuals and small and medium size institutional clients, leveraging all the resources of Lehman Brothers. Asset Management provides proprietary asset management products across traditional and alternative asset classes, through a variety of distribution channels, to individuals and institutions; it includes both the Neuberger Berman and Lehman Brothers Asset Management brands as well as our Private Equity business.

Lehman Brothers Holdings Inc. was incorporated in Delaware on December 29, 1983. Our principal executive office is at 745 Seventh Avenue, New York, New York 10019, and our telephone number is (212) 526−7000.

The Offering

This summary highlights selected information from this prospectus supplement to help you understand the Preferred Stock. This summary does not contain all of the information that may be important to you. You should read this entire prospectus supplement carefully to fully understand the terms of such securities, as well as the tax and other considerations that should be important to you in making a decision about whether to invest in the securities offered hereby. You should pay special attention to "Risk Factors" in this prospectus supplement and in our Annual Report on Form 10−K for the year ended November 30, 2007 to determine whether an investment in the Preferred Stock is appropriate for you.

Preferred Stock

We are offering 2,000,000 shares of our 8.75% Non−Cumulative Mandatory Convertible Preferred Stock, Series Q, with each share of Preferred Stock having a liquidation preference of $1,000 per share.

Dividends. Cash dividends on the Preferred Stock will be payable quarterly in arrears on a non− cumulative basis, only when, as and if declared by our board of directors out of legally available funds, on each January 1, April 1, July 1 and October 1, beginning October 1, 2008, through and including July 1, 2011, each a "dividend payment date," at a rate per annum equal to 8.75%.

Dividends on the Preferred Stock will be non−cumulative. We may pay a partial dividend or skip a dividend on the Preferred Stock at any time. If for any reason our board of directors does not declare full cash dividends on the Preferred Stock for a dividend period prior to the related dividend payment date, that dividend will not accrue and we will have no obligation to pay any dividends for that dividend period on the related dividend payment date or at any time in the future, whether or not our board of directors declares dividends on the Preferred Stock for any future dividend period. See "Description of the Preferred Stock—Dividends."

Dividends will be calculated based on a 360−day year consisting of twelve 30−day months. If any day that would otherwise be a dividend payment date is not a business day, then the first business day following that day will be the applicable dividend payment date. The term "dividend period" means the period from, and including, each dividend payment date (or, in the case of the initial dividend period, the original issuance date) to, but excluding, the next dividend payment date.

No dividends on the Preferred Stock will be declared by our board of directors, or paid or set apart for payment by us, at any time during which the terms and provisions of any of our agreements, including any agreement relating to our junior subordinated debentures and our other indebtedness, would prohibit a declaration, payment or setting apart for payment of a dividend or provide that such a declaration, payment or setting apart for payment would constitute a breach or a default or would not be permitted thereunder. See "Risk Factors—Risks Relating to the Preferred Stock and Our Common Stock—Certain of our existing securities may prevent us from paying dividends on the Preferred Stock upon the occurrence of a mandatory trigger event." No dividends on the Preferred Stock will be declared or paid or set apart for payment if prohibited by applicable law or regulation.

Dividend Stopper. We may not declare, set apart for payment or pay dividends on any of our stock that ranks equally with the Preferred Stock unless we have declared and paid, or set apart for payment, dividends on the Preferred Stock for the most recent dividend period ending on or before the dividend payment date of that other stock, ratably with dividends on that other stock in proportion to the respective amounts of (A) the full amount of dividends payable on the Preferred Stock for such dividend period, and (B) the accumulated and unpaid dividends, or the full amount of dividends payable for the most recent dividend period in the case of non−cumulative preferred stock, on that other stock.

Except as set forth above, unless full cash dividends on the Preferred Stock have been declared and paid or set aside for payment for the most recently completed dividend period:

- we may not declare, set apart for payment or pay dividends on our common stock or on any other stock of ours ranking equally with or junior to the Preferred Stock as to dividends (any such stock, "Junior or Parity Stock"); and
- we may not, and may not permit our subsidiary to, redeem, purchase or otherwise acquire (or make payment to or available for any sinking fund with respect to) any of our Junior or Parity Stock, except that money previously deposited in a sinking fund may be applied to a redemption or purchase;

other than any:

(1) purchase, redemption or other acquisition of Junior or Parity Stock in connection with the satisfaction of our obligations pursuant to any contract entered into prior to the beginning of the then-current dividend period;

(2) purchase, redemption or other acquisition of Junior or Parity Stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more of our or our subsidiaries' employees, officers, directors, consultants or independent contractors;

(3) exchange, redemption or conversion of Junior or Parity Stock for Junior or Parity Stock;

(4) purchase, redemption or other acquisition of Junior or Parity Stock with the proceeds of a substantially contemporaneous sale of any such Junior or Parity Stock; or

(5) any purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged.

Redemption. The Preferred Stock is not redeemable and will not be subject to any sinking fund or other obligation to redeem, repurchase or retire the Preferred Stock.

Mandatory Conversion. On July 1, 2011 (the "mandatory conversion date"), each share of Preferred Stock will mandatorily convert into shares of our common stock based on the conversion rate as described below. Holders of Preferred Stock on the mandatory conversion date will have the right to receive any declared and unpaid dividend for the most recent dividend period ending on such date.

Conversion Rate. The conversion rate for each share of Preferred Stock will be not more than 35.7142 shares of common stock and not less than 30.2663 shares of common stock, depending on the applicable market value of our common stock, as described below.

The "applicable market value" of our common stock is the average of the closing prices per share of our common stock during the 20 consecutive trading day period ending on the third trading day immediately preceding the mandatory conversion date. It will be calculated as described under "Description of the Preferred Stock—Mandatory Conversion."

The conversion rate is subject to certain anti-dilution adjustments, as described under "Description of the Preferred Stock—Anti-Dilution Adjustments."

The following table illustrates the conversion rate per share of the Preferred Stock subject to certain anti-dilution adjustments described under "Description of the Preferred Stock—Anti-Dilution Adjustments."

Applicable market value on the mandatory conversion date	Conversion rate
greater than $33.04	30.2663
equal to or less than $33.04 but greater than or equal to $28.00	$1,000 divided by the applicable market value, which is between 30.2663 shares and 35.7142 shares
less than $28.00	35.7142

Optional Conversion by the Holder. At any time prior to July 1, 2011, a holder may, subject to the limitations set forth below under "—Limitation on Beneficial Ownership," elect to convert its shares of Preferred Stock in whole or in part at the minimum conversion rate of shares of common stock per share of Preferred Stock as described under "Description of the Preferred Stock—Conversion at the Option of the Holder." This conversion rate is subject to certain anti-dilution adjustments as described under "Description of the Preferred Stock—Anti-Dilution Adjustments."

If a holder of the Preferred Stock elects to exercise its early conversion option to convert its shares of Preferred Stock prior to the record date for any declared dividends for the dividend period in which such holder elects to convert, such holder will not receive declared dividends for that dividend period. If a holder of Preferred Stock elects to exercise its early conversion option to convert its shares of Preferred Stock after the record date for any declared dividend and prior to the dividend payment date, such holder will receive that dividend on the relevant dividend payment date if such holder was the holder of record on the record date for that dividend; *provided, however*, that whether or not such holder was the holder of record on the applicable record day, if such holder converts after a record date and prior to the related dividend payment date, such holder must pay to the conversion agent upon conversion of the shares of Preferred Stock an amount in cash equal to the dividend actually paid on the dividend payment date for the then-current dividend period on the shares of Preferred Stock being converted.

Conversion at the Option of the Holder Upon Cash Acquisition; Cash Acquisition Dividend Make-Whole Amount. If we are the subject of specified cash acquisitions on or prior to July 1, 2011, under certain circumstances, holders of the Preferred Stock will have the right, subject to the limitations set forth below under "—Limitation on Beneficial Ownership," to convert their shares of Preferred Stock, in whole or in part, into shares of common stock at the "cash acquisition conversion rate" set forth in the table under "Description of the Preferred Stock—Conversion at the Option of the Holder Upon Cash Acquisition; Cash Acquisition Dividend Make-Whole Amount—Cash Acquisition Conversion Rate." The applicable conversion rate will be determined based on the effective date and the price paid per share of our common stock in such transaction. Holders who convert shares of Preferred Stock pursuant to a specified cash acquisition will also receive an amount in cash equal to (1) declared and unpaid dividends on their shares of Preferred Stock for the dividend period in which the conversion upon such cash acquisition occurs to but not including the cash acquisition conversion date and (2) a cash acquisition dividend make-whole amount equal to the present value of all remaining dividend payments on their Preferred Stock from the effective date of the transaction to but excluding the mandatory conversion date.

Limitation on Beneficial Ownership. Notwithstanding the foregoing, no holder of Preferred Stock will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a

"beneficial owner" (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations promulgated thereunder) of more than 9.9% of the shares of our common stock outstanding at such time. Any purported delivery of shares of our common stock upon conversion of Preferred Stock shall be void and have no effect to the extent (but only to the extent) that such delivery would result in the converting holder becoming the beneficial owner of more than 9.9% of the shares of common stock outstanding at such time. If any delivery of shares of our common stock owed to a holder upon conversion of Preferred Stock is not made, in whole or in part, as a result of this limitation, our obligation to make such delivery shall not be extinguished and we shall deliver such shares as promptly as practicable after any such converting holder gives notice to us that such delivery would not result in it being the beneficial owner of more than 9.9% of the shares of common stock outstanding at such time. These limitations on beneficial ownership shall not constrain in any event the mandatory conversion of the Preferred Stock.

Reorganization Events. The following provisions apply in the event of certain "reorganization events," which include, subject to certain exceptions:

- any consolidation or merger of us with or into another person in each case pursuant to which our common stock will be converted into cash, securities or other property;
- any sale, transfer, lease or conveyance to another person of all or substantially all of our assets in each case pursuant to which our common stock will be converted into cash, securities or other property;
- certain reclassifications of our common stock; or
- certain statutory exchanges of our securities.

Each share of the Preferred Stock outstanding immediately prior to a reorganization event will, without the consent of the holders of the Preferred Stock, become convertible into the kind of securities, cash and other property receivable in the reorganization event by holders of our common stock. See "Description of the Preferred Stock—Reorganization Events."

Anti–Dilution Adjustments. The fixed conversion rates may be adjusted in the event of, among other things, (1) dividends or distributions in common stock, (2) subdivisions and combinations of the common stock, (3) certain issuances of stock purchase rights, (4) distributions of shares of our capital stock (other than our common stock), evidences of our indebtedness or assets, (5) increases in cash dividends or (6) certain tender offers for our common stock by us or any of our subsidiaries. See "Description of the Preferred Stock—Anti–Dilution Adjustments."

Liquidation. Upon our voluntary or involuntary liquidation, dissolution or winding up, holders of the Preferred Stock are entitled to receive out of our assets that are available for distribution to stockholders, before any distribution is made to holders of common stock or other junior stock, a liquidation distribution in the amount of $1,000.00 per share of Preferred Stock, plus all declared and unpaid dividends for the dividend period in which liquidation occurs to but not including the date of final distribution. Distributions will be made pro rata as to the Preferred Stock and any other parity stock and only to the extent of our assets, if any, that are available after satisfaction of all liabilities to our creditors.

Ranking. The Preferred Stock:

- will rank senior to Lehman Brothers Holdings' common stock, and any other capital stock of Lehman Brothers Holdings ranking junior to the Preferred Stock, with respect to the payment of dividends and distributions upon liquidation, dissolution or winding up; and
- will rank equally with each other series of parity stock that Lehman Brothers Holdings has issued or may issue with respect to the payment of dividends and distributions upon liquidation, dissolution or winding up.

The Preferred Stock ranks on an equal basis as to dividends and upon liquidation, dissolution or winding up with our 5.94% Cumulative Preferred Stock, Series C, 5.67% Cumulative Preferred Stock, Series D, 6.50% Cumulative Preferred Stock, Series F, Floating Rate Cumulative Preferred Stock, Series G, 7.95% Non–Cumulative Perpetual Preferred Stock, Series J and 7.25% Non–Cumulative Perpetual Convertible Preferred Stock, Series P, which are currently outstanding, and will rank on an equal basis with our Non–Cumulative Perpetual Preferred Stock, Series H, and Non–Cumulative Perpetual Preferred Stock, Series I, when they are issued. We may from time to time, without notice to or consent from the holders of the Preferred Stock, create and issue additional shares of preferred stock ranking on an equal basis to the Preferred Stock as to dividends and upon liquidation, dissolution or winding up.

Voting Rights. Holders of the Preferred Stock will have no voting rights, except as provided below or as otherwise provided by applicable law.

Whenever dividends payable on the shares of Preferred Stock or on any other equally ranked series of preferred stock have not been paid for six or more dividend periods, whether or not consecutive, the authorized number of our directors will automatically be increased by two. The holders of the Preferred Stock will have the right, with holders of any other equally ranked series of preferred stock that have similar voting rights and on which dividends likewise have not been paid, voting together as a class, to elect two directors to fill such newly created directorships at our next annual meeting of stockholders and at each of our subsequent annual meetings until full dividends have been paid on the Preferred Stock for at least four consecutive dividend periods. At that point the right to elect directors terminates, and the terms of office of the two directors so elected will terminate immediately.

Additionally, so long as any shares of the Preferred Stock remain outstanding, we will not, without the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class):

- authorize, create or issue any of our capital stock ranking, as to dividends or upon liquidation, dissolution or winding up, senior to the Preferred Stock, or reclassify any of our authorized capital stock into any such shares of such capital stock, or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or
- amend, alter or repeal the certificate of designation for the Preferred Stock or our restated certificate of incorporation, whether by merger, consolidation or otherwise, so as to adversely affect the powers, preferences or special rights of the Preferred Stock.

Any

- increase in the amount of authorized common or preferred stock; or
- increase or decrease in the number of shares of any series of preferred stock; or
- authorization and issuance of other classes or series of stock;

in each case ranking equally with or junior to the Preferred Stock, will not be deemed to adversely affect such powers, preferences or special rights.

Each share of Preferred Stock will have four votes whenever it is entitled to voting rights.

Preemptive Rights. Holders of Preferred Stock will not have any preemptive or subscription rights to acquire more of our stock.

Listing

The Preferred Stock will not be listed on any securities exchange or included in any automated quotation system. Our common stock is listed on the New York Stock Exchange under the symbol "LEH."

Certain United States Federal Income Tax Consequences

For a discussion of certain U.S. federal income tax considerations of purchasing, owning and disposing of the Preferred Stock and any common stock received upon its conversion, see "Certain United States Federal Income Tax Considerations." Dividends paid to non−corporate U.S. holders in taxable years beginning before January 1, 2011 generally should be taxable at a maximum rate of 15%, subject to certain conditions and limitations. Dividends paid to corporate U.S. holders generally should be eligible for the dividends received deduction, subject to certain conditions and limitations. Dividends paid to non−U.S. holders generally should be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Use of Proceeds

We expect to receive net proceeds from this offering of approximately $1.939 billion, after deducting underwriting discounts and estimated offering expenses.

We intend to use the net proceeds from this offering to add to our capital and for general corporate purposes. We expect that the SEC will treat the Preferred Stock as the equivalent of "Tier 1" capital in an amount equal to the amount of this offering for purposes of its capital guidelines applicable to consolidated supervisory entities such as Lehman Brothers. See "Regulatory Capital."

Concurrent Common Stock Offering

We are concurrently offering 143,000,000 shares of our common stock. The common stock will be offered pursuant to a separate prospectus supplement. The completion of this offering of the Preferred Stock is not conditioned upon the completion of the concurrent offering of our common stock and the completion of the offering of our common stock is not conditioned upon the completion of this offering of the Preferred Stock.

Risk Factors

You should carefully consider the information set forth in the "Risk Factors" section in this prospectus supplement and in our Annual Report on Form 10−K for the year ended November 30, 2007 and the other documents referred to in "Where You Can Find More Information," before investing in the Preferred Stock.

RISK FACTORS

An investment in the Preferred Stock involves certain risks. You should carefully consider the risks described below and in the "Risk Factors" included in our Annual Report on Form 10−K for the year ended November 30, 2007, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus. These risks could materially affect our business, results of operations or financial condition and cause the value of the Preferred Stock or the common stock issuable upon conversion of the Preferred Stock to decline. You could lose all or a part of your investment.

Risks Relating to the Preferred Stock and Our Common Stock

Dividends on the Preferred Stock are non−cumulative.

Dividends on the Preferred Stock are non−cumulative. Consequently, if our board of directors does not authorize and declare a dividend for any dividend period, holders of the Preferred Stock would not be entitled to receive any such dividend, and such unpaid dividend will cease to accumulate and be payable. We will have no obligation to pay dividends accumulated for a dividend period after the dividend payment date for such period if our board of directors has not declared such dividend before the related dividend payment date, whether or not dividends are declared for any subsequent dividend period with respect to the Preferred Stock or any other preferred stock we may issue.

Certain of our existing securities may prevent us from paying dividends on the Preferred Stock upon the occurrence of a mandatory trigger event.

If the mandatory deferral event described below occurs, our existing enhanced capital advantaged preferred securities ("ECAPS" SM) prohibit us from making distributions on the ECAPS other than with the proceeds from issuances of our common stock and perpetual deferrable preferred stock. If we are unable to pay distributions on the ECAPS in full, the dividend restrictions on the ECAPS would prohibit us from, among other things, paying any dividends on any of our capital stock, including the Preferred Stock. Since the ECAPS require us to pay distributions upon the occurrence of a mandatory deferral event only out of the proceeds of the sale of our common stock or perpetual deferrable preferred stock, our ability to pay dividends on the Preferred Stock will depend on our ability to issue our common stock or non−cumulative perpetual preferred stock to fully pay all distributions due on the ECAPS. We will trigger a mandatory deferral event pursuant to the terms of the ECAPS if at any time we have both a consolidated net loss over a two−quarter period and our tangible common stockholders' equity has decreased by 10% over the prior year, and we have failed to cure either of those events within the following two quarters.

The Preferred Stock is equity and is subordinate to our existing and future indebtedness.

Shares of Preferred Stock are equity interests in Lehman Brothers Holdings and do not constitute indebtedness. As such, shares of Preferred Stock will rank junior to all indebtedness and other non−equity claims on Lehman Brothers Holdings with respect to assets available to satisfy claims on Lehman Brothers Holdings, including in a liquidation of Lehman Brothers Holdings. Additionally, unlike indebtedness, where principal and interest would customarily be payable on specified due dates, in the case of preferred stock like the Preferred Stock (1) dividends are payable only if declared by our board of directors and (2) as a corporation, we are subject to restrictions on payments of dividends and redemption price out of lawfully available funds. The Preferred Stock will also rank junior to all of the liabilities of our subsidiaries and the liquidation preferences of any preferred stock of our subsidiaries.

Also, as a consolidated supervisory entity, our ability to declare and pay dividends is dependent on certain federal regulatory considerations. Lehman Brothers Holdings has issued and outstanding debt securities under which we may defer interest payments from time to time, but in that case we would not be permitted to pay dividends on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of our capital stock, including the Preferred Stock, during the deferral period. In

addition, Lehman Brothers Holdings has issued and outstanding debt securities under which, if we are aware of any event that would be an event of default under the indenture governing those debt securities, we would not be permitted to pay dividends on, or redeem, purchase, acquire or making a liquidation payment with respect to, any of our capital stock, including the Preferred Stock.

We are a holding company and our ability to pay dividends on the Preferred Stock will depend on distributions from our subsidiaries.

The dividends on the Preferred Stock will be solely our obligations, and no other entity will have any obligation, contingent or otherwise, to make any dividends in respect of the Preferred Stock. Because we are a holding company whose primary assets consist of shares of stock or other equity interests in or amounts due from subsidiaries, almost all of our income is derived from those subsidiaries. Accordingly, we will be dependent on dividends and other distributions or loans from our subsidiaries for funds with which to make dividend payments on the Preferred Stock. Due to covenants contained in certain of our debt agreements and regulations relating to capital requirements affecting certain of our more significant subsidiaries, the ability of certain subsidiaries to pay dividends and other distributions and make loans to us is restricted. As of February 29, 2008 approximately $9.7 billion of net assets of our subsidiaries were restricted as to the payment of dividends to us.

As an equity holder, our ability to participate in any distribution of assets of any subsidiary is subordinate to the claims of creditors of the subsidiary, except to the extent that any claims we may have as a creditor of the subsidiary are judicially recognized. If these sources are not adequate, we may be unable to make dividend payments in respect of our Preferred Stock.

An active trading market may not develop for the Preferred Stock.

The Preferred Stock is a new issue of securities. There is no active public trading market for the Preferred Stock. The Preferred Stock will not be listed on any securities exchange or included in any automated quotation system. No assurance can be given that an active trading market will develop for the Preferred Stock, or if an active market does develop, that an active trading market will be maintained. Due to certain regulatory restrictions arising from its affiliation with Lehman Brothers Holdings, Lehman Brothers Inc. will be unable to make a market in the Preferred Stock. In addition, Lehman Brothers Inc. will not be able to effect any transactions in the Preferred Stock for the account of any customers except on a limited unsolicited basis. If an active, liquid market does not develop for the Preferred Stock, the market price and liquidity of the Preferred Stock may adversely be affected.

The price of our common stock, and therefore of the Preferred Stock, may fluctuate significantly, and this may make it difficult for you to resell the Preferred Stock or common stock issued upon conversion of the Preferred Stock when you want or at prices you find attractive.

The price of our common stock on the New York Stock Exchange constantly changes. We expect that the market price of our common stock will continue to fluctuate. In addition, because the Preferred Stock is convertible into our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the Preferred Stock.

Our stock price may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- quarterly variations in our operating results;
- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to our future financial performance;

- announcements of strategic developments, acquisitions and other material events by us or our competitors;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- future sales of our equity or equity-related securities;
- changes in the credit, mortgage and real estate markets, the markets for securities relating to mortgages, real estate or acquisition financing or developments with respect to financial institutions generally; and
- changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity or real estate valuations or volatility.

In addition, in recent years, the stock market in general, and our common stock in particular, has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies, including for reasons often unrelated to their operating performance. These broad market fluctuations may adversely affect our stock price, notwithstanding our operating results.

You will bear the full risk of a decline in the market price of our common stock between the pricing date for the Preferred Stock and the mandatory conversion date.

The number of shares of our common stock that you will receive upon conversion is not fixed, but instead will depend on the applicable market value, which is the average of the closing prices of our common stock over the 20 consecutive trading day period ending on the third trading day immediately preceding the mandatory conversion date (or, in the event you elect to convert your shares of Preferred Stock in connection with a cash acquisition, will depend on the stock price (as defined under "Description of the Preferred Stock—Conversion at the Option of the Holder Upon Cash Acquisition; Cash Acquisition Dividend Make-Whole Amount")). If you elect to convert prior to the mandatory conversion date, you will receive a fixed number of shares of common stock equal to the minimum conversion rate. The aggregate market value of the shares of our common stock you receive upon mandatory conversion may be less than the aggregate liquidation preference of your shares of Preferred Stock. Specifically, if the applicable market value of our common stock is less than $28.00, which is the initial price, the market value of each share of our common stock you receive upon mandatory conversion will be less than the $1,000 liquidation preference, and your investment in the Preferred Stock will result in a loss. Accordingly, you will bear the full risk of a decline in the market price of our common stock. Any such decline could be substantial.

The opportunity for equity appreciation provided by an investment in Preferred Stock is less than that provided by a direct investment in our common stock.

The market value of each share of our common stock that you will receive upon mandatory conversion of each share of the Preferred Stock on the mandatory conversion date will only exceed the liquidation preference of $1,000 per share of Preferred Stock if the applicable market value of our common stock exceeds the threshold appreciation price of $33.04 . The threshold appreciation price represents an appreciation of approximately 18% over the initial price of $28.00. In this event, you would receive on the mandatory conversion date 84.75% (which percentage is equal to the initial price divided by the threshold appreciation price) of the value of our common stock that you would have received if you had made a direct investment in our common stock on the date of this prospectus supplement. This means that the opportunity for equity appreciation provided by an investment in the Preferred Stock is less than that provided by a direct investment in shares of our common stock.

In addition, if the market value of our common stock appreciates and the applicable market value of our common stock is equal to or greater than the initial price but less than or equal to the threshold

appreciation price, the aggregate market value of the shares of our common stock you receive upon mandatory conversion will only be equal to the aggregate liquidation preference of Preferred Stock and you will realize no equity appreciation on our common stock.

A change of control with respect to us may not constitute a cash acquisition for the purpose of the Preferred Stock.

The Preferred Stock contains no covenants or other provisions to afford protection to you in the event of a change of control with respect to us, except upon the occurrence of a cash acquisition (as defined under "Description of the Preferred Stock—Conversion at the Option of the Holder Upon Cash Acquisition; Cash Acquisition Dividend Make-Whole Amount") to the extent described under "Description of the Preferred Stock—Conversion at the Option of the Holder Upon Cash Acquisition; Cash Acquisition Dividend Make-Whole Amount." However, the term "cash acquisition" is limited and does not include every change of control event that might cause the market price of the Preferred Stock to decline. As a result, your rights under the Preferred Stock upon the occurrence of a cash acquisition may not preserve the value of the Preferred Stock in the event of a change of control with respect to us. In addition, any change of control with respect to us may negatively affect the liquidity, value or volatility of our common stock, negatively impacting the value of the Preferred Stock.

The adjustment to the conversion rate and the payment of the cash acquisition dividend make-whole amount upon the occurrence of certain cash acquisitions may not adequately compensate you.

If a cash acquisition (as defined under "Description of the Preferred Stock—Conversion at the Option of the Holder Upon Cash Acquisition; Cash Acquisition Dividend Make-Whole Amount") occurs prior to conversion, we will adjust the conversion rate for Preferred Stock converted during the cash acquisition conversion period (as defined under "Description of the Preferred Stock—Conversion at the Option of the Holder Upon Cash Acquisition; Cash Acquisition Dividend Make-Whole Amount") unless the stock price is less than $10.00 or above $140.00 (in each case, subject to adjustment) and, with respect to those shares of Preferred Stock converted, holders will receive, among other consideration, a cash acquisition dividend make-whole amount. The number of shares to be issued upon conversion in connection with a cash acquisition will be determined as described under "Description of the Preferred Stock—Conversion at the Option of the Holder Upon Cash Acquisition; Cash Acquisition Dividend Make-Whole Amount." Although this adjustment to the conversion rate and the payment of the cash acquisition dividend make-whole amount are designed to compensate you for the lost option value of the Preferred Stock and lost dividends as a result of a cash acquisition, they are only an approximation of such lost value and lost dividends and may not adequately compensate you for your actual loss. Furthermore, our obligation to adjust the conversion rate in connection with a cash acquisition and pay the cash acquisition dividend make-whole amount could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

The conversion rate of the Preferred Stock may not be adjusted for all dilutive events that may adversely affect the trading price of the Preferred Stock or the common stock issuable upon conversion of the Preferred Stock.

The conversion rate of the Preferred Stock is subject to adjustment upon certain events, including the issuance of dividends or distributions in common stock, subdivisions, splits and combinations of our common stock, certain issuance of stock purchase rights, distributions of shares of our capital stock (other than our common stock), evidences of our indebtedness or assets, increases in cash dividends or certain tender offers for our common stock by us or any of our subsidiaries as described under "Description of the Preferred Stock—Anti-Dilution Adjustments." We will not adjust the conversion rate for other events, including offerings of common stock for cash by us or in connection with acquisitions. There can be no assurance that an event that adversely affects the value of the Preferred Stock, but does not result in an adjustment to the conversion rate, will not occur. Further, if any of

these other events adversely affects the market price of our common stock, it may also adversely affect the market price of the Preferred Stock. In addition, except as described under "Underwriting—Lock–Up Agreements," we are not restricted from offering common stock in the future or engaging in other transactions that could dilute our common stock.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock or the Preferred Stock.

Except as described under "Underwriting—Lock–Up Agreements," we are not restricted from issuing additional common stock or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or preferred stock or any substantially similar securities. The market price of our common stock or preferred stock could decline as a result of sales of a large number of shares of common stock or preferred stock or similar securities in the market after this offering or the perception that such sales could occur.

The conversion of some or all of the Preferred Stock or our other outstanding convertible securities will dilute the ownership interest of our existing common stockholders. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of the outstanding shares of our common stock and the Preferred Stock. In addition, the existence of our Preferred Stock may encourage short selling or arbitrage trading activity by market participants because the conversion of our Preferred Stock could depress the price of our equity securities.

If you hold the Preferred Stock, you are not entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold the Preferred Stock, you are not entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting the common stock. You will only be entitled to rights on the common stock if and when we deliver shares of common stock to you upon conversion of your Preferred Stock and in limited cases under the adjustments to the conversion rate. For example, in the event that an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to your becoming a record holder of the shares of common stock issuable upon conversion, you will not be entitled to vote such shares in respect of such amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

The Preferred Stock may be junior in rights and preferences to our future preferred stock.

The Preferred Stock may be junior to preferred stock we issue in the future, which by its terms is expressly senior to the Preferred Stock, subject to approval in respect of $66^2/_3\%$ of the shares of Preferred Stock. The terms of any of our future preferred stock expressly senior to the Preferred Stock may restrict dividend payments on the Preferred Stock, except for dividends payable solely in shares of the Preferred Stock. Unless full dividends for all of our outstanding preferred stock senior to the Preferred Stock have been declared and paid or set aside for payment, no dividends will be declared or paid and no distribution will be made on any shares of the Preferred Stock, and no shares of the Preferred Stock may be repurchased, redeemed, or otherwise acquired by us, directly or indirectly, for consideration. This could result in dividends on the Preferred Stock not being paid when due to you.

The issuance of additional series of our preferred stock could adversely affect holders of our common stock, which may negatively impact your investment.

Our board of directors is authorized to issue additional classes or series of preferred stock without any action on the part of the stockholders. The board of directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over the common stock with respect to dividends or upon our liquidation, dissolution, or winding up and other terms. If we issue preferred stock in the future that has a preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution, or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected. As noted above, a decline in the market price of the common stock may negatively impact the market price for the Preferred Stock.

Holders of the Preferred Stock will have limited voting rights.

Holders of the Preferred Stock have no voting rights with respect to matters that generally require the approval of voting common stockholders. Holders of the Preferred Stock will have voting rights only as specifically required by Delaware law and as follows. Whenever dividends payable on the shares of Preferred Stock have not been paid for six or more dividend periods, whether or not consecutive, the authorized number of our directors will automatically be increased by two. The holders of the Preferred Stock will have the right, with holders of any other equally ranked series of preferred stock that have similar voting rights and on which dividends likewise have not been paid, voting together as a class, to elect two directors to fill such newly created directorships at our next annual meeting of stockholders and at each of our subsequent annual meetings until the dividends in arrears are paid in full. See "Description of the Preferred Stock—Voting Rights."

Our results of operations for the second fiscal quarter of 2008 may be revised between the release of information about our results of operations and our subsequent earnings release, and further revised between such subsequent earnings release and the filing of our Form 10–Q.

On June 9, 2008, we filed a Form 8–K with information about our results of operations for the second fiscal quarter of 2008, which is incorporated by reference into this prospectus supplement. We will also file an additional Form 8–K with subsequent information about our results of operations for the second fiscal quarter of 2008 in an earnings release. In preparing this information, we make a number of complex and subjective judgments and estimates about the appropriateness of certain reported amounts and disclosures as well as estimates relating to the components and calculation of our leverage ratios and capital ratios, among other metrics. For example, such estimates are used in measuring the fair value of certain financial instruments, accounting for identifiable intangible assets and goodwill, establishing provisions for potential losses that may arise from litigation, regulatory proceedings and tax examinations, assessing our ability to realize deferred taxes and valuing equity–based compensation awards.

Our financial statements for the second fiscal quarter of 2008 are not finalized until they are filed in our quarterly report on Form 10–Q for the second fiscal quarter of 2008. We are required to consider all available information through the finalization of our financial statements and their possible impact on our financial condition and results of operations for the reporting period, including the impact of such information on the complex judgments and estimates referred to above. As a result, subsequent information or events may lead to material differences between the information about the results of operations described in the Form 8–K filed on June 9, 2008 and the results of operations described in our subsequent earnings release, and between such subsequent earnings release and the filing of our quarterly report on Form 10–Q for the second fiscal quarter of 2008, and those differences may be adverse. You should consider this possibility in reviewing the earnings information in the Form 8–Ks referred to above.

Anti–takeover provisions could negatively impact our stockholders.

Provisions of Delaware law and of our certificate of incorporation and bylaws could make it more difficult for a third–party to acquire control of us or have the effect of discouraging a third party from attempting to acquire control of us. For example, we are subject to Section 203 of the Delaware General Corporation Law, which would make it more difficult for another party to acquire us without the approval of our board of directors. Additionally, our certificate of incorporation authorizes our board of directors to issue preferred stock as described under "—The issuance of additional series of our preferred stock could adversely affect holders of our common stock, which may negatively impact your investment," and preferred stock could be issued as a defensive measure in response to a takeover proposal. These provisions could make it more difficult for a third–party to acquire us even if an acquisition might be in the best interest of our stockholders.

If we increase the cash dividend on our common stock, you may be deemed to have received a taxable dividend without the receipt of any cash.

If we increase the cash dividend on our common stock, an adjustment to the conversion rate may result, and you may be deemed to have received a taxable dividend subject to United States federal income tax without the receipt of any cash. If you are a non–U.S. holder (as defined in "Certain United States Federal Income Tax Considerations"), such deemed dividend may be subject to United States federal withholding tax at a 30% rate or such lower rate as may be specified by an applicable treaty. See "Certain United States Federal Income Tax Considerations."

The cash acquisition dividend make–whole amount may be subject to withholding.

It is possible that a cash acquisition dividend make–whole amount upon conversion in connection with certain acquisitions could be treated as a taxable dividend, and because the treatment of such additional amounts paid in respect of future dividends is uncertain, we may withhold 30% of such amount on payments to non–U.S. holders. See "Certain United States Federal Income Tax Considerations."

USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately $1.939 billion, after deducting underwriting discounts and estimated offering expenses.

We intend to use the net proceeds from this offering to add to our capital and for general corporate purposes. We expect that the SEC will treat the Preferred Stock as the equivalent of "Tier 1" capital in an amount equal to the amount of this offering for purposes of its capital guidelines applicable to consolidated supervisory entities such as Lehman Brothers. See "Regulatory Capital."

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

	Three Months Ended	Year Ended November 30,				
	February 29, 2008	2007	2006	2005	2004	2003
Ratio of earnings to combined fixed charges and preferred stock dividends	1.05	1.15	1.20	1.27	1.34	1.26

For purposes of calculating the ratio of earnings to combined fixed charges and preferred stock dividends, earnings are the sum of:

- pre-tax earnings from continuing operations and
- fixed charges (excluding capitalized interest);

and fixed charges are the sum of:

- interest cost, including capitalized interest; and
- that portion of rent expense estimated to be representative of the interest factor.

The preferred stock dividend amounts represent pre-tax earnings required to cover dividends on preferred stock.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock trades on the New York Stock Exchange under the symbol "LEH." As of March 31, 2008, there were 553,646,048 shares of our common stock outstanding. As of December 31, 2007, there were approximately 23,200 shareholders of record. The following table provides the high and low closing sales prices per share during the periods indicated as reported on the New York Stock Exchange and dividends paid per share of our common stock during such periods.

	Low Sale Price	High Sale Price	Common Stock Dividends
Fiscal 2008:			
Third Quarter (through June 6, 2008)	$ 28.52	$ 36.57	
Second Quarter	$ 20.25	$ 50.30	$ 0.17
First Quarter	$ 49.75	$ 66.58	$ 0.17
Fiscal 2007:			
Fourth Quarter	$ 51.59	$ 67.73	$ 0.15
Third Quarter	$ 49.06	$ 82.05	$ 0.15
Second Quarter	$ 68.07	$ 79.21	$ 0.15
First Quarter	$ 72.26	$ 86.18	$ 0.15
Fiscal 2006:			
Fourth Quarter	$ 63.04	$ 78.89	$ 0.12
Third Quarter	$ 58.37	$ 69.48	$ 0.12
Second Quarter	$ 62.82	$ 78.85	$ 0.12
First Quarter	$ 62.14	$ 74.79	$ 0.12

The amount of future dividends will depend on earnings, financial condition, capital requirements and other factors, and will be determined by our board of directors on a quarterly basis.

The last reported sales price per share of our common stock on June 6, 2008 as reported by the New York Stock Exchange was $32.29.

REGULATORY CAPITAL

Regulatory Considerations

As of December 1, 2005, Lehman Brothers became regulated by the SEC as a consolidated supervisory entity ("CSE"). As such, Lehman Brothers is subject to group−wide supervision and examination by the SEC and, accordingly, we are subject to minimum capital requirements on a consolidated basis, and must comply with CSE rules on capital requirements that are generally consistent with the standards of the Basel Committee of Banking Supervision.

For a discussion of the material elements of the regulatory framework applicable to Lehman Brothers and its subsidiaries which are subject to various securities, commodities and banking regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate, and specific information relevant to Lehman Brothers, please refer to Lehman Brothers' annual report on Form 10−K for the fiscal year ended November 30, 2007, and any subsequent reports we file with the SEC.

Lehman Brothers' earnings are also affected by general economic conditions, our management policies and legislative action.

There are numerous governmental requirements and regulations that affect our business activities. A change in applicable statutes, regulations or regulatory policy may have a substantive effect on Lehman Brothers' business and regulatory capital treatment.

Regulatory Capital Treatment

We expect that the SEC will treat the Preferred Stock as the equivalent of "Tier 1" capital in an amount equal to the amount of this offering for purposes of its capital guidelines applicable to CSEs such as Lehman Brothers.

DESCRIPTION OF THE PREFERRED STOCK

The following is a summary of some of the terms of the Preferred Stock. This summary contains a description of the material terms of the Preferred Stock but is not necessarily complete. The following summary of the terms and provisions of the Preferred Stock does not purport to be complete and is qualified in its entirety by reference to the pertinent sections of our restated certificate of incorporation, including the certificate of designations creating the Preferred Stock, which will be incorporated by reference in the registration statement that we filed with the SEC. We refer you to the documents referred to in the following description, copies of which are available upon request as described under "Where You Can Find More Information."

General

As of the date of this prospectus supplement, our authorized capital stock includes 24,999,000 shares of preferred stock. After this offering, 2,000,000 shares of Preferred Stock will be issued and outstanding. When issued, the Preferred Stock will constitute a single series of our preferred stock, $1.00 par value and with a liquidation preference $1,000 per share.

Prior to the issuance of the Preferred Stock, our board of directors will adopt resolutions creating and designating the Preferred Stock as a series of preferred stock and the resolutions will be filed in a certificate of designations as an amendment to our restated certificate of incorporation. The term "our board of directors" includes any duly authorized committee of our board of directors.

The rights of holders of the Preferred Stock offered may be adversely affected by the rights of holders of any shares of preferred stock that may be issued in the future, provided that the future issuances are first approved by the holders of the class(es) or series of preferred stock adversely affected to the extent required by applicable law. The board of directors may cause shares of preferred stock to be issued in public or private transactions for any proper corporate purpose. Examples of proper corporate purposes include issuances to obtain additional financing in connection with acquisitions or otherwise, and issuances to our and our subsidiaries' officers, directors and employees pursuant to benefit plans or otherwise. Shares of preferred stock issued by us may have the effect of rendering more difficult or discouraging an acquisition of us deemed undesirable by our board of directors.

The Preferred Stock will be, when issued, fully paid and nonassessable. Holders of Preferred Stock will not have any preemptive or subscription rights to acquire more of our stock.

Ranking

The Preferred Stock will rank on an equal basis with each other series of preferred stock and prior to our common stock as to dividends and upon liquidation, dissolution or winding up.

The Preferred Stock ranks on an equal basis as to dividends and upon liquidation, dissolution or winding up with our 5.94% Cumulative Preferred Stock, Series C, 5.67% Cumulative Preferred Stock, Series D, 6.50% Cumulative Preferred Stock, Series F, Floating Rate Cumulative Preferred Stock, Series G, 7.95% Non–Cumulative Perpetual Preferred Stock, Series J and 7.25% Non–Cumulative Perpetual Convertible Preferred Stock, Series P, which are currently outstanding, and will rank on an equal basis with our Non–Cumulative Perpetual Preferred Stock, Series H, and Non–Cumulative Perpetual Preferred Stock, Series I, when they are issued. We may from time to time, without notice to or consent from the holders of the Preferred Stock, create and issue additional shares of Preferred Stock or preferred stock ranking on an equal basis to the Preferred Stock as to dividends and upon liquidation, dissolution or winding up.

Dividends

Holders of Preferred Stock will receive, on a non–cumulative basis, when, as and if declared by our board of directors, out of funds legally available for payment of dividends under Delaware law, cash

dividends at an annual rate equal to 8.75%. We may, and will if so directed by the SEC as a CSE, skip a dividend on the Preferred Stock at any time or pay a partial dividend.

To the extent that any dividends payable on the Preferred Stock on any dividend payment date are not declared and paid, in full or otherwise, on such dividend payment date, then such unpaid dividends shall not cumulate and shall cease to be payable. We have no obligation to pay dividends for such dividend period after the dividend payment date for such dividend period or to pay interest with respect to such dividends, whether or not we declare dividends on the Preferred Stock for any subsequent dividend period. See "Risk Factors—Risks Relating to the Preferred Stock and Our Common Stock—Dividends on the Preferred Stock are non–cumulative."

We will pay dividends on the Preferred Stock quarterly in arrears, when, as and if declared by our board of directors, on each January 1, April 1, July 1 and October 1, beginning October 1, 2008, through and including July 1, 2011, each a "dividend payment date." If any day that would otherwise be a dividend payment date is not a business day, then the first business day following that day will be the applicable dividend payment date. The term "dividend period" means the period from, and including, each dividend payment date (or, in the case of the initial dividend period, the original issuance date) to, but excluding, the next dividend payment date. "Business day" means any day that is not a Saturday or Sunday and that, in New York City, is not a day on which banking institutions generally are authorized or obligated by law or executive order to be closed.

We will pay dividends to holders of record as of the close of business on the 15th day of the month preceding the month in which the dividend payment date is scheduled, subject to certain exceptions. This day is also called the record date for payment of dividends. The record date shall apply regardless of whether it is a business day.

We will calculate dividends on the Preferred Stock on the basis of a 360–day year consisting of twelve 30–day months. Accordingly, if declared in full, the dividend on the Preferred Stock for the first dividend period, assuming the original issuance date is June 12, 2008, will be approximately $26.49306 per share and will be payable on October 1, 2008. If declared in full, the dividend on the Preferred Stock for each subsequent dividend period will be $21.87500 per share.

No dividends on the Preferred Stock will be declared by our board of directors, or paid or set apart for payment by us, at any time during which the terms and provisions of any of our agreements, including any agreement relating to our junior subordinated debentures and our other indebtedness, would prohibit a declaration, payment or setting apart for payment of a dividend or provide that such a declaration, payment or setting apart for payment would constitute a breach or a default or would not be permitted thereunder. See "Risk Factors—Risks Relating to the Preferred Stock and Our Common Stock—Certain of our existing securities may prevent us from paying dividends on the Preferred Stock upon the occurrence of a mandatory trigger event." No dividends on the Preferred Stock will be declared or paid or set apart for payment if prohibited by applicable law or regulation. We are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The SEC may determine, under certain circumstances relating to the financial condition of a supervised investment bank holding company, such as us, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. In addition, we are subject to Delaware state laws relating to the payment of dividends.

Dividend Stopper

We may not declare, set apart for payment or pay dividends on any of our stock that ranks equally with the Preferred Stock unless we have declared and paid, or set apart for payment, dividends on the Preferred Stock for the most recent dividend period ending on or before the dividend payment date of that other stock, ratably with dividends on that other stock in proportion to the respective amounts of (A) the full amount of dividends payable on the Preferred Stock for such dividend period, and (B) the

accumulated and unpaid dividends, or the full amount of dividends payable for the most recent dividend period in the case of non-cumulative preferred stock, on that other stock.

Except as set forth above, unless full cash dividends on the Preferred Stock have been declared and paid or set aside for payment for the most recently completed dividend period:

- we may not declare, set apart for payment or pay dividends on our Junior or Parity Stock; and
- we may not, and may not permit our subsidiaries to, redeem, purchase or otherwise acquire (or make payment to or available for any sinking fund with respect to) any of our Junior or Parity Stock, except that money previously deposited in a sinking fund may be applied to a redemption or purchase;

other than any:

(1) purchase, redemption or other acquisition of Junior or Parity Stock in connection with the satisfaction of our obligations pursuant to any contract entered into prior to the beginning of the then-current dividend period;

(2) purchase, redemption or other acquisition of Junior or Parity Stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more of our or our subsidiaries' employees, officers, directors, consultants or independent contractors;

(3) exchange, redemption or conversion of Junior or Parity Stock for Junior or Parity Stock;

(4) purchase, redemption or other acquisition of Junior or Parity Stock with the proceeds of a substantially contemporaneous sale of any such Junior or Parity Stock; or

(5) any purchase of fractional interests in shares of our capital stock pursuant to the conversion or exchange provisions of such capital stock or the securities being converted or exchanged.

Redemption

The Preferred Stock is not redeemable and will not be subject to any sinking fund or other obligation to redeem, repurchase or retire the Preferred Stock.

Mandatory Conversion

Each share of the Preferred Stock, unless previously converted, will mandatorily convert on July 1, 2011 (the "mandatory conversion date"), into a number of shares of common stock equal to the conversion rate described below. In addition to the number of shares of common stock issuable upon conversion of each share of Preferred Stock on the mandatory conversion date, holders will have the right to receive any declared and unpaid dividend on the Preferred Stock for the most recent dividend period ending on the mandatory conversion date if they were the holders of record on the record date for that dividend.

The conversion rate, which is the number of shares of common stock issuable upon conversion of each share of Preferred Stock on the mandatory conversion date, will, subject to adjustment as described under "—Anti-Dilution Adjustments" below, be as follows:

- if the applicable market value (as defined below) of our common stock is greater than $33.04, which we call the "threshold appreciation price," then the conversion rate will be 30.2663 shares of common stock per share of Preferred Stock (the "minimum conversion rate"), which is equal to $1,000 divided by the threshold appreciation price;
- if the applicable market value of our common stock is less than or equal to the threshold appreciation price but equal to or greater than $28.00, which we call the "initial price," then the

conversion rate will be equal to $1,000 divided by the applicable market value of our common stock, which will be between 30.2663 shares and 35.7142 shares; or

- if the applicable market value of our common stock is less than the initial price, then the conversion rate will be 35.7142 shares of common stock per share of Preferred Stock (the "maximum conversion rate"), which is equal to $1,000 divided by the initial price.

We refer to the minimum conversion rate and the maximum conversion rate collectively as the "fixed conversion rates." The fixed conversion rates, the initial price, the threshold appreciation price and the applicable market value are each subject to adjustment as described under "—Anti–Dilution Adjustments" below.

Hypothetical Conversion Values Upon Mandatory Conversion

For illustrative purposes only, the following table shows the number of shares of our common stock that a holder of the Preferred Stock would receive upon mandatory conversion of one share of Preferred Stock at various applicable market values for our common stock. The table assumes that there will be no conversion adjustments as described below under "—Anti–Dilution Adjustments". The actual applicable market value of shares of our common stock may differ from those set forth in the table below. Given an initial price of $28.00 and a threshold appreciation price of $33.04, a holder of the Preferred Stock would receive on the mandatory conversion date the number of shares of our common stock per one share of the Preferred Stock set forth below:

Applicable market value of our common stock	Number of shares of our common stock to be received upon conversion	Conversion value (applicable market value multiplied by the number of shares of our common stock to be received upon conversion)
$ 10.00	35.7142	$ 357.14
$ 20.00	35.7142	$ 714.28
$ 28.00	35.7142	$ 1,000.00
$ 30.00	33.3333	$ 1,000.00
$ 33.04	30.2663	$ 1,000.00
$ 40.00	30.2663	$ 1,210.65
$ 50.00	30.2663	$ 1,513.32
$ 60.00	30.2663	$ 1,815.98
$ 70.00	30.2663	$ 2,118.64
$ 80.00	30.2663	$ 2,421.30
$ 100.00	30.2663	$ 3,026.63
$ 120.00	30.2663	$ 3,631.96
$ 140.00	30.2663	$ 4,237.28

Accordingly, if the applicable market value of our common stock is greater than the market price of our common stock on the date of this prospectus supplement and greater than the threshold appreciation price, the aggregate market value of our common stock delivered upon conversion of each share of the Preferred Stock will be greater than the $1,000 liquidation preference of the share of the Preferred Stock, assuming that the market price of our common stock on the mandatory conversion date is the same as the applicable market value of our common stock. If the applicable market value for our common stock is greater than the market price of our common stock on the date of this prospectus supplement and equal to or less than the threshold appreciation price and equal to or greater than the initial price, the aggregate market value of our common stock delivered upon conversion of each share of the Preferred Stock will be equal to the $1,000 liquidation preference of the share of the Preferred Stock, assuming that the market price of our common stock on the mandatory conversion date is the same as the applicable market value of our common stock. If the applicable market value of our common stock is less than the market price of our common stock on the date of this prospectus supplement and less than the initial price, the aggregate market value of our

common stock delivered upon conversion of each share of the Preferred Stock will be less than the $1,000 liquidation preference of the share of the Preferred Stock, assuming that the market price of our common stock on the mandatory conversion date is the same as the applicable market value of our common stock.

Definitions

"Applicable market value" means the average of the closing prices of our common stock over the 20 consecutive trading day period ending on the third trading day immediately preceding the mandatory conversion date.

The "threshold appreciation price" represents an approximately 18% appreciation over the initial price.

The "closing price" of our common stock or any securities distributed in a spin–off, as the case may be, on any date of determination means:

- the closing price on that date or, if no closing price is reported, the last reported sale price of shares of our common stock or such other securities on the New York Stock Exchange on that date; or

- if our common stock or such other securities are not traded on the New York Stock Exchange, the closing price on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which our common stock or such other securities are so traded or, if no closing price is reported, the last reported sale price of shares of our common stock or such other securities on the principal U.S. national or regional securities exchange on which our common stock or such other securities are so traded on that date; or

- if our common stock or such other securities are not traded on a U.S. national or regional securities exchange, the last quoted bid price on that date for our common stock or such other securities in the over–the–counter market as reported by Pink Sheets LLC or a similar organization; or

- if our common stock or such other securities are not so quoted by Pink Sheets LLC or a similar organization, the market price of our common stock or such other securities on that date as determined by a nationally recognized independent investment banking firm retained by us for this purpose.

All references herein to the closing price of our common stock and the last reported sale price of our common stock on the New York Stock Exchange shall be such closing price and such last reported sale price as reflected on the website of the New York Stock Exchange (www.nyse.com) and as reported by Bloomberg Professional Service; provided that in the event that there is a discrepancy between the closing price and the last reported sale price as reflected on the website of the New York Stock Exchange and as reported by Bloomberg Professional Service, the closing price and the last reported sale price on the website of the New York Stock Exchange shall govern.

A "trading day" is a day on which shares of our common stock:

- are not suspended from trading on any national or regional securities exchange or association or over–the–counter market at the close of business; and

- has traded at least once on the national or regional securities exchange or association or over–the–counter market that is the primary market for the trading of our common stock.

Conversion at the Option of the Holder

Other than during a cash acquisition conversion period (as defined below under "—Conversion at the Option of the Holder Upon Cash Acquisition; Cash Acquisition Dividend Make–Whole Amount"), holders of the Preferred Stock have the right, subject to the limitations set forth under "—Limitation

on Beneficial Ownership," to convert their shares of Preferred Stock, in whole or in part, at any time prior to the mandatory conversion date, into shares of our common stock at the minimum conversion rate of 30.2663 shares of common stock per share of Preferred Stock, subject to adjustment as described under "—Anti–Dilution Adjustments" below.

If a holder of the Preferred Stock elects to exercise its early conversion option to convert its shares of Preferred Stock prior to the record date for any declared dividends for the dividend period in which such holder elects to convert, such holder will not receive declared dividends for that dividend period. If a holder of Preferred Stock elects to convert its shares of Preferred Stock after the record date for any declared dividend and prior to the dividend payment date, such holder will receive that dividend on the relevant dividend payment date if such holder was the holder of record on the record date for that dividend; *provided, however*, that whether or not such holder was the holder of record on the applicable record day, if such holder converts after a record date and prior to the related dividend payment date, such holder must pay to the conversion agent upon conversion of the shares of Preferred Stock an amount in cash equal to the dividend actually paid on the dividend payment date for the then–current dividend period on the shares of Preferred Stock being converted.

Except as described above, upon any optional conversion of the Preferred Stock, we will make no payment or allowance for unpaid dividends on the Preferred Stock.

Conversion at the Option of the Holder Upon Cash Acquisition; Cash Acquisition Dividend Make–Whole Amount

General. If a cash acquisition (as defined below) occurs, on or prior to the mandatory conversion date, holders of the Preferred Stock will have the right, subject to the limitations set forth under "—Limitation on Beneficial Ownership," during the cash acquisition conversion period (as defined below) to (i) convert their shares of Preferred Stock, in whole or in part, into shares of common stock and, (ii) with respect to such converted shares, receive declared and unpaid dividends for the dividend period in which the conversion upon such cash acquisition occurs to but not including the cash acquisition conversion date and (iii) a cash acquisition dividend make–whole amount (as defined below).

To exercise this right, holders must submit their shares of the Preferred Stock for conversion at any time during the period (the "cash acquisition conversion period") beginning on the effective date of such cash acquisition (the "effective date") and ending at 5:00 p.m., New York City time, on the date that is 15 calendar days after the effective date (or, if earlier, the mandatory conversion date) at the conversion rate specified in the table below (the "cash acquisition conversion rate"). Holders of Preferred Stock who do not submit their shares for conversion during the cash acquisition conversion period will not be entitled to convert their shares of Preferred Stock at the cash acquisition conversion rate or to receive the cash acquisition dividend make–whole amount. Upon conversion, holders will receive, per share of Preferred Stock, (i) a number of shares of our common stock equal to the cash acquisition conversion rate, (ii) any declared and unpaid dividends for the dividend period in which the conversion upon such cash acquisition occurs to but not including the cash acquisition conversion date, payable in cash and (iii) the cash acquisition dividend make–whole amount (as defined below), payable in cash.

We will notify holders, at least 20 calendar days prior to the anticipated effective date of such cash acquisition, of the anticipated effective date of such transaction.

A "cash acquisition" will be deemed to have occurred at such time after the issue date of the Preferred Stock upon the consummation of any consolidation or merger of us or similar transaction or any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all

of the consolidated assets of us and our subsidiaries, taken as a whole, to any person other than one of our subsidiaries, in each case pursuant to which:

- 90% or more of our common stock is exchanged for, converted into or constitutes solely the right to receive cash, securities or other property; and

- more than 10% of the cash, securities or other property consists of cash, securities or other property that are not, or upon issuance will not be, traded on a U.S. national securities exchange or a securities exchange in the European Economic Area.

The phrase "all or substantially all" of our assets is likely to be interpreted by reference to applicable state law at the relevant time, and will be dependent on the facts and circumstances existing at such time. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer is of "all or substantially all" of our assets.

Cash Acquisition Conversion Rate. The cash acquisition conversion rate will be determined by reference to the table below and is based on the effective date of the transaction and the price (the "stock price") paid per share of our common stock in such transaction. If the holders of our common stock receive only cash in the cash acquisition, the stock price shall be the cash amount paid per share. Otherwise the stock price shall be the average of the closing prices of our common stock over the 10 consecutive trading day period ending on the trading day preceding the effective date.

The stock prices set forth in the first row of the table (i.e., the column headers) will be adjusted as of any date on which the fixed conversion rates of the Preferred Stock are adjusted. The adjusted stock prices will equal the stock prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the minimum conversion rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the minimum conversion rate as so adjusted. Each of the cash acquisition conversion rates in the table will be subject to adjustment in the same manner as each fixed conversion rate as set forth under "—Anti–Dilution Adjustments."

The following table sets forth the cash acquisition conversion rate per share of Preferred Stock for each stock price and effective date set forth below.

	Stock price												
Effective date	**$10.00**	**$20.00**	**$28.00**	**$30.00**	**$33.04**	**$40.00**	**$50.00**	**$60.00**	**$70.00**	**$80.00**	**$100.00**	**$120.00**	**$140.00**
June 12, 2008	24.5134	26.4225	26.9376	27.0453	27.1979	27.5133	27.8888	28.1950	28.4382	28.6318	28.9206	29.1149	29.2517
July 1, 2009	28.4157	28.6695	28.5077	28.5005	28.5072	28.5858	28.7612	28.9422	29.1024	29.2337	29.4257	29.5504	29.6361
July 1, 2010	32.4535	31.4363	30.3448	30.1656	29.9585	29.7043	29.6297	29.6783	29.7463	29.8069	29.8912	29.9424	29.9754
July 1, 2011	35.7142	35.7142	35.7142	33.3333	30.2663	30.2663	30.2663	30.2663	30.2663	30.2663	30.2663	30.2663	30.2663

The exact stock price and effective dates may not be set forth on the table, in which case:

- if the stock price is between two stock price amounts on the table or the effective date is between two effective dates on the table, the cash acquisition conversion rate will be determined by straight–line interpolation between the cash acquisition conversion rates set forth for the higher and lower stock price amounts and the earlier and later effective dates, as applicable, based on a 365–day year;

- if the stock price is in excess of $10.00 per share (subject to adjustment as described above), then the cash acquisition conversion rate will be the minimum conversion rate, subject to adjustment; and

- if the stock price is less than $140.00 per share (subject to adjustment as described above), then the cash acquisition conversion rate will be the maximum conversion rate, subject to adjustment.

Cash Acquisition Dividend Make–Whole Amount. For any shares of Preferred Stock that are converted during the cash acquisition conversion period, in addition to delivering the shares of common

stock issued upon conversion and paying in cash any declared and unpaid dividends, we must pay you in cash the present value of all dividend payments on your shares of mandatory convertible preferred stock for all the remaining dividend periods from the effective date of the transaction for all remaining dividend periods to but excluding the mandatory conversion date (the "cash acquisition dividend make–whole amount"), which present value shall be computed using a discount rate equal to 6.25%.

Our obligation to deliver shares at the cash acquisition conversion rate and pay the cash acquisition dividend make–whole amount could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

Limitation on Beneficial Ownership

Notwithstanding the foregoing, no holder of Preferred Stock will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a "beneficial owner" (within the meaning of Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of more than 9.9% of the shares of our common stock outstanding at such time. Any purported delivery of shares of our common stock upon conversion of Preferred Stock shall be void and have no effect to the extent (but only to the extent) that such delivery would result in the converting holder becoming the beneficial owner of more than 9.9% of the shares of common stock outstanding at such time. If any delivery of shares of our common stock owed to a holder upon conversion of Preferred Stock is not made, in whole or in part, as a result of this limitation, our obligation to make such delivery shall not be extinguished and we shall deliver such shares as promptly as practicable after any such converting holder gives notice to us that such delivery would not result in it being the beneficial owner of more than 9.9% of the shares of common stock outstanding at such time. These limitations on beneficial ownership shall not constrain in any event the mandatory conversion of the Preferred Stock.

Conversion Procedures

Upon Mandatory Conversion

Any outstanding shares of Preferred Stock will mandatorily convert into shares of common stock on the mandatory conversion date. The person or persons entitled to receive the shares of common stock issuable upon mandatory conversion of the Preferred Stock will be treated as the record holder(s) of such shares as of 5:00 p.m., New York City time, on the mandatory conversion date, except to the extent that all or a portion of such common stock is subject to the limitation on beneficial ownership. Except as provided under "—Anti–Dilution Adjustments," prior to 5:00 p.m., New York City time, on the mandatory conversion date, the shares of common stock issuable upon conversion of the Preferred Stock will not be deemed to be outstanding for any purpose and you will have no rights with respect to such shares of common stock, including voting rights, rights to respond to tender offers and rights to receive any dividends or other distributions on the common stock, by virtue of holding the Preferred Stock.

Upon Early Conversion

If you elect to convert your shares of Preferred Stock prior to the mandatory conversion date, in the manner described in "—Conversion at the Option of the Holder" or "—Conversion at the Option of the Holder Upon Cash Acquisition; Cash Acquisition Dividend Make–Whole Amount," you must observe the following conversion procedures:

If you hold a beneficial interest in a global share of Preferred Stock, to convert you must deliver to The Depository Trust Company ("DTC") the appropriate instruction form for conversion pursuant to DTC's conversion program and, if required, pay funds equal to the dividend payable on the next dividend payment date to which you are not entitled and, if required, pay all taxes or duties, if any.